



State of Wisconsin Department of Public Instruction

Mailing Address: P.O. Box 7841, Madison, WI 53707-7841
125 South Webster Street, Madison, WI 53702
(608) 266-3390 **TDD** (608) 267-2427 **FAX** (608) 267-1052
Internet Address: www.dpi.state.wi.us

John T. Benson
State Superintendent

Steven B. Dold
Deputy State Superintendent

April 27, 2000

Mr. Les Johnson
Chief, Food Distribution Division
Food and Nutrition Services, USDA
3101 Park Center Drive, Room 601
Alexandria, VA 22302

RE: Food Distribution 2000 - USDA Proposal For Change
Wisconsin's Input

Dear Mr. Johnson:

This letter contains a summary of comments and concerns about the different components of change that are currently being proposed to improve the USDA Commodity Distribution Program. We, as a state entity, inclusive of the state distributing agency and the Commodity Task Force which represents Wisconsin's schools, generally concur that USDA is moving in the right direction. USDA is attempting to adjoin what exists now and in the past as mutually exclusive worlds, supply driven and demand driven needs of the food chain flow. There is a way to satisfy market support and surplus removal needs as well as satisfy the needs of the customers, young consumers participating in child nutrition programs. As you have taken other comments and concerns assuredly with importance, please consider our following points as positive support and suggestion.

In regards to the changes proposed to improve procurement procedures and specifications, we are generally in support of all of the components: long-term contracting with manufacturers, establishing national umbrella contracts with manufacturers in place of individual state contracts, enabling manufacturers to substitute raw "ingredient" USDA commodity purchased product with commercial product and visa versa, encouraging commercial labeling of products, implementing a best value contracting evaluation for bidders, and facilitating the processing of commodities with limited demand. However, in implementing these improvements, we recommend that attention is given to certain details.

- **Long-term contracting:** When deciding what products for which to expedite long-term contracting, the products should be generally accepted by many states.
- **National umbrella contracting:** This would certainly be cost effective by reducing paperwork and administrative labor. However, criteria for approval must ensure a balance to avoid monopolies by large companies and also to avoid the repertoire of approved manufacturers only consisting of those that provide a limited variety of products. Additionally, the approval process to add new manufacturers and new products to national umbrella contracts must be proficient enough to include them in the business arena when they are needed most, i.e. when a product is highly desired by a school(s).
- **Best value contracting:** Within the criteria of evaluating renewal of contracts and adding new contracts, customer acceptance, being primarily the preference of young people served through

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child nutrition programs, should be the ultimate test of value. This piece of criteria must not be overlooked.

- Processing commodities with limited demand (surplus removal products): Surplus removal buys should be limited to products that have past success in the business arena. Agriculture and Industry should have a vested interest in developing customer friendly use for their products. Otherwise, other outlets and solutions for products should be considered, such as exporting products.

Enabling manufacturers to substitute raw "ingredient" USDA commodity purchased product with commercial product and visa versa as well as using commercial labels will lower the cost for the manufacturer and schools. As long as commodities are "separate" and "segregated" products, the value of the product itself disappears into the endless paperwork, handling, special delivery, and special storage system. Changing USDA inventory management and documentation requirements go hand-in-hand with allowing 100 percent substitutability and commercial labeling. In efforts to streamline paperwork requirements, changing these record-keeping requirements is utmost necessary, starting with school year 2000-2001. We ask that change in these requirements be finalized for implementation as of July 1, 2000 in order to avoid inventory control problems with the increased number of commercially labeled commodities that will be delivered starting this school year.

In conjunction with 100 percent substitutability and commercial labeling, seamless distribution would significantly assist schools in getting product in the desired quantities when they need it. To be able to order product from commercial distributors or schools' designated consignees to the credit of schools' assistance dollars would relieve stress involved with inventory costs and special delivery arrangements. However, small and rural schools may have to contend with higher distribution costs because of minimum drop fees and distance factors. We recommend that USDA increase State Administrative Funds for state child nutrition programs to provide assistance and training for establishing networks and/or cooperatives in order to support that the benefits of a seamless distribution outweigh any extra distribution costs incurred.

If there will be a single point of USDA contact for each of various areas, we highly recommend that USDA conduct an assessment of the amount and depth of assistance that recipient agencies will need. If USDA cannot provide the same or better level of customer service that the state agencies now provide, a single point of USDA contact will not be accepted. A notification system for relay of information should reside with the state agency in order to prevent "information overload" and to ensure agencies are not overlooked for information needing immediate attention, such as for holds and recalls. Ultimately, the definition for how state agencies will serve as an "interface" needs to be clearly established.

In order to fully implement a computer system that connects all parties involved, USDA must ensure, by way of training and/or providing hardware, that all technological components are compatible. All pertinent information for making ordering decisions must be available through the database, such as a general description, pack size, number of servings per case, nutritional data, and suggested cooking methods. State agencies will have to serve in a strong technical assistance role for recipient agencies. Furthermore, USDA must support state agencies with providing assistance to those agencies that are not yet able to join the technological loop. Because food service is often the last program considered for funding in school budgets, all parties involved need to work together in bolstering the importance of the role foodservice programs play in education. USDA needs to communicate the importance of these changes to the school business administration forum.

What this proposal for change ultimately purports is to not only give more individual empowerment to recipient agencies in deciding how to most effectively use their commodity dollars, but also to still maintain USDA's mission for market support and surplus removal. This empowerment demands more responsibility of the recipient agency. Many of the streamlining efforts, such as for the paperwork requirements, 100 percent substitutability, national umbrella contracts, and commercial labeling, theoretically should reduce the amount of hoops to jump through, which is encountered now by the

state agency. But besides the amount of training that will be involved to initialize the program, if recipient agencies have to do any more than what is required to make commercial purchases and obtain credits, this program will be considered to be burdensome. Furthermore, the question as to why the Commodity Letter of Credit (CLOC) program is not more seriously considered will arise more fervently.

In fact, this letter cannot go without mention that a significant proportion of Wisconsin's schools believe the Commodity Letter of Credit (CLOC) would be the most effective alternative to ensure that schools are getting the most from their assistance dollars. Schools question why the evaluation of the CLOC proposal and subsequent pilot program that was initiated during the term of Undersecretary Betty Jo Nelson has not been concluded and publicized for discussion. Theoretically, the market support and surplus removal objective would thrive under this plan. Schools have suggested that USDA invest some resources during the testing period of this proposal of change to determine if CLOC is a viable option for schools in the future.

Time must be allowed for transition and the changes must be meticulously evaluated. We hope that our comments will be viewed as constructive and only as supportive in working towards the common goal of establishing equitable benefit for all parties involved. We commend USDA for its team efforts in striving for improvement.

Sincerely,

Members of the Wisconsin Commodity Task Force:

Richard A. Mortensen, Director
Food and Nutrition Services

✓ Lisa Byers, State Distributing Coordinator
Food and Nutrition Services

Lynne Slack, State Processing Specialist
Food and Nutrition Services

Janet Bodnar, RD., Consultant
Food and Nutrition Services

Joan Allen
School District of Hudson

Susan Baier
Green Bay School District

Dan Blimling
Racine School District

Rose Ann Boushele
DePere Unified School District

Mark Fessler
Sheboygan Area School District

Trudi Green
Deerfield Community School

Lynne Gross
West Bend School District

Pamela Hohman
N.T.C. Christian Academy

Patricia Holliday
School District of Superior

Frank Kelly
Madison Metro School District

Maggie Kleisath
Platteville School District

Vera Klister
Menasha School District

Monica Krachey
Wauzeka-Steuben School District

Pam Lange
Elkhorn Area School District

Mary Loveless
Baraboo School District

Pat Neverman
Brown Deer School District

Peggy Panici
Appleton Area School District

Susan Rath
Mt. Horeb School District

Sylvia Trenhaile
Milwaukee Public School District

Gayle Wald
Stevens Point School District

Steve Youngbauer
Waukesha School District